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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

June 23, 1954

To: All REA Borrowers

Attached is some information about the status and progress of the rural electrification program. In view of considerable discussion on this subject, we thought you might like to have this up-to-date report.

Fred H. Strong

Fred H. Strong
Deputy Administrator

Attachment



June 1954

THE REA RECORD

874104

More Consumers Get Service

Loans approved by the present REA administration during its first year will bring service to 180,500 consumers, which is an increase of 37,300 over the year before.

More Loans Approved

The present REA administration has made more electric loans and loaned more funds in its first year than the former administration did during the preceding twelve months.

| | <u>No. Loans</u> | <u>Amount</u> |
|--|------------------|---------------|
| This Administration's First Year (5-1-53 to 5-1-54) | 349 | \$181,118,100 |
| Previous Year (5-1-52 to 5-1-53) | 315 | \$157,612,091 |

Applications Handled Faster

This administration, by the use of new loan procedure, has improved service and reduced paperwork on loan applications. This is shown in the large reduction of the backlog of applications inherited by this administration:

| | |
|---|---------------|
| Backlog When This Administration Took Office | \$220,288,416 |
| Applications on Hand 5-28-54 | \$130,599,000 |
| Reduction | \$ 89,689,416 |

Half of Applications Need More Data

More than half of the electric loan applications now on file with REA cannot be acted upon until more data of some kind or other is provided by the applicants.

For example, 22 applications or 12.6 percent of the total have feasibility problems and solutions to these problems must be worked out with the help of data from the applicant before REA can take action. Seventy-five applications or 42.9 percent of the total require information about power supply, rates, purpose of construction, financial statement and similar factors before REA can act.

This leaves 78 applications which are in various stages of active processing at the present time. Here is a tabulation summarizing status of all electric applications on hand.

| <u>Status of Application</u> | <u>Number of Applications</u> | <u>Dollar Amount</u> | |
|--------------------------------------|---------------------------------------|--------------------------|---------|
| Feasibility Problem | 22 (12.6%) | \$ 35,338,000 | (27.1%) |
| More Information | 75 (42.9%) | 39,713,800 | (30.4%) |
| In Process | 78 (44.6%) | 55,547,200 | (42.5%) |
| | <hr/> | <hr/> | |
| Total on Hand | 175 | \$130,599,000 | |

Trend of Applications Down

The trend of applications for electric loans from REA has been sharply downward since 1949, the peak postwar year.

The following table shows the dollar amount of applications received for electric loans since the 1949 peak:

| <u>Fiscal Year</u> | <u>Total of Applications Received</u> |
|--------------------|---------------------------------------|
| 1949 | \$455,548,785 |
| 1950 | 335,397,810 |
| 1951 | 201,814,000 |
| 1952 | 150,936,950 |
| 1953 | 220,671,686 ^{1/} |
| 1954 (thru May 28) | 143,656,000 ^{2/} |

^{1/} The trend of applications was briefly reversed during November and December of 1952.

^{2/} This is through May 28 - about one month from the end of the fiscal year.

Trend of Loans Approved Also Down

The electric loan program hit its peak in 1949 and for several years thereafter dropped substantially as the postwar construction program leveled off. Today over 91 percent of farms are electrified and applications now call for less funds for new connections and more for boosting system capacity.

Here is the record of loans approved in each fiscal year since 1947:

| <u>Fiscal Year</u> | <u>Amount Loaned Electric Borrowers</u> |
|--------------------|---|
| 1947 | \$253,217,000 |
| 1948 | 319,110,000 |
| 1949 | 449,317,700 |
| 1950 | 376,199,000 |
| 1951 | 221,815,000 |
| 1952 | 165,758,731 |
| 1953 | 164,972,662 |
| 1954 | 165,000,000 |

Aim is to Meet Needs

The administration has emphasized that its objective is to meet the legitimate and feasible loan needs of the borrowers. It has emphasized that the objective is not to see how much money can be spent.

According to present estimates, REA will need \$150 million for the 1955 fiscal year. If needs are higher or lower, the loan program will be changed accordingly. The Congress has repeatedly - in this and previous administrations - endorsed this approach, stating that more funds will be provided whenever needed. The record bears this out. Five times since V-J Day Congress has voted supplementary loan funds.

The electric loan program recommended by the House Appropriations Committee and approved by the House provides \$193,000,000 for the 1955 fiscal year.

Here is a breakdown of loan funds proposed for fiscal year 1955:

| | <u>1953</u> | <u>1954</u> (In Millions) | <u>1955</u> House | Senate |
|-------------------|-------------|------------------------------|----------------------|--------|
| New Authorization | 50 | 135 | 100 | 135 |
| Contingency | 50 | 45 | 35 | 35 |
| Carryover | 117 | 30 | 50 | 50 |
| Recissions | 28 | 12 | 8 | 8 |
| Total | 245 | 222 | 193 | 228 |

Additional Half Billion Already Available

Borrowers presently have available to them about \$438 million in unadvanced funds. These are loans which have already been approved - money in the bank - and which borrowers can draw down at any time they properly requisition the money.

Since 1949 advance of funds by REA also has declined:

| <u>Fiscal Year</u> | <u>Amount Advanced Electric Borrowers</u> |
|--------------------|---|
| 1949 | \$321,286,868 |
| 1950 | 286,658,652 |
| 1951 | 268,130,658 |
| 1952 | 227,574,029 |
| 1953 | 207,633,936 |
| 1954 (estimated) | 185,000,000 |

This reflects the declining construction program of electric borrowers as they near completion of the distribution plant required for initial connection of all consumers in their service areas.

Here is a table showing the amount of unadvanced loan funds available by states as of April 30, 1954:

| | |
|---------------|---------------|
| United States | \$438,882,753 |
| Alabama | 10,494,075 |
| Arizona | 4,372,625 |
| Arkansas | 20,262,774 |
| California | 6,058,403 |
| Colorado | 10,964,340 |
| Connecticut | -0- |
| Deleware | 732,954 |
| Florida | 7,044,313 |
| Georgia | 16,215,147 |
| Idaho | 1,477,842 |
| Illinois | 7,665,322 |
| Indiana | 6,663,297 |
| Iowa | 17,183,793 |
| Kansas | 5,871,434 |
| Kentucky | 31,683,566 |
| Louisiana | 5,113,369 |
| Maine | 491,295 |
| Maryland | 4,084,896 |
| Massachusetts | -0- |
| Michigan | 14,148,925 |
| Minnesota | 15,247,458 |

| | |
|----------------|------------|
| Mississippi | 16,627,146 |
| Missouri | 19,404,832 |
| Montana | 7,563,249 |
| Nebraska | 14,855,064 |
| Nevada | 26,739 |
| New Hampshire | 2,001,200 |
| New Jersey | 197,862 |
| New Mexico | 11,202,400 |
| New York | 401,607 |
| North Carolina | 17,215,720 |
| North Dakota | 7,518,124 |
| Ohio | 11,910,668 |
| Oklahoma | 12,559,961 |
| Oregon | 4,470,923 |
| Pennsylvania | 5,978,488 |
| Rhode Island | -0- |
| South Carolina | 11,354,238 |
| South Dakota | 9,208,911 |
| Tennessee | 12,047,138 |
| Texas | 26,241,186 |
| Utah | 1,101,421 |
| Vermont | 683,521 |
| Virginia | 10,177,484 |
| Washington | 5,402,965 |
| West Virginia | 129,642 |
| Wisconsin | 23,001,244 |
| Wyoming | 6,359,233 |
| Alaska | 12,088,085 |
| Virgin Islands | 1,874 |
| Puerto Rico | 3,376,000 |

Power Supply Program Pushed

Within established long-time policy, the administration has worked sympathetically with its borrowers in solving power supply problems. This is reflected in two items:

- (a) The percentage of loans made for generation and transmission facilities equals the long-time level.
- (b) Applications now on hand amount to \$70,540,000. This represents a reduction of nearly \$27,000,000 in the backlog of generation and transmission loan applications since June 30, 1953.

The guidelines REA uses for approval of generation and/or transmission loans are the same as those used for many years. Is the loan necessary? Is it feasible? And does it provide power at a lower cost than can otherwise be had?

Telephone Loan Program at New High

This administration, as of June 4, has approved \$63,635,000 this fiscal year. The full year total is expected to reach \$74,000,000. This is nearly twice the \$41,000,000 program the year before. This year will be by far the biggest in the history of the telephone program. At the beginning of this fiscal year the cumulative total of loans made since the telephone program amendment was enacted in 1949 amounted to only \$118,000,000.

Telephone Construction Speeded Up

This year the administration is advancing to borrowers about \$30,000,000 in contrast with \$23,864,802 advanced during the previous year. Advances represent construction since loan funds are advanced to borrowers only as needed to pay for construction.

Administrative Costs Cut

While improving its efficiency for providing service on loans to electric and telephone borrowers, this administration reduced administrative costs. This has been accomplished in two ways: First, administrative processes have been streamlined, making possible savings and manpower. Second, borrowers have been permitted to handle for themselves many of the program responsibilities not affecting loan security.

